

Case No.

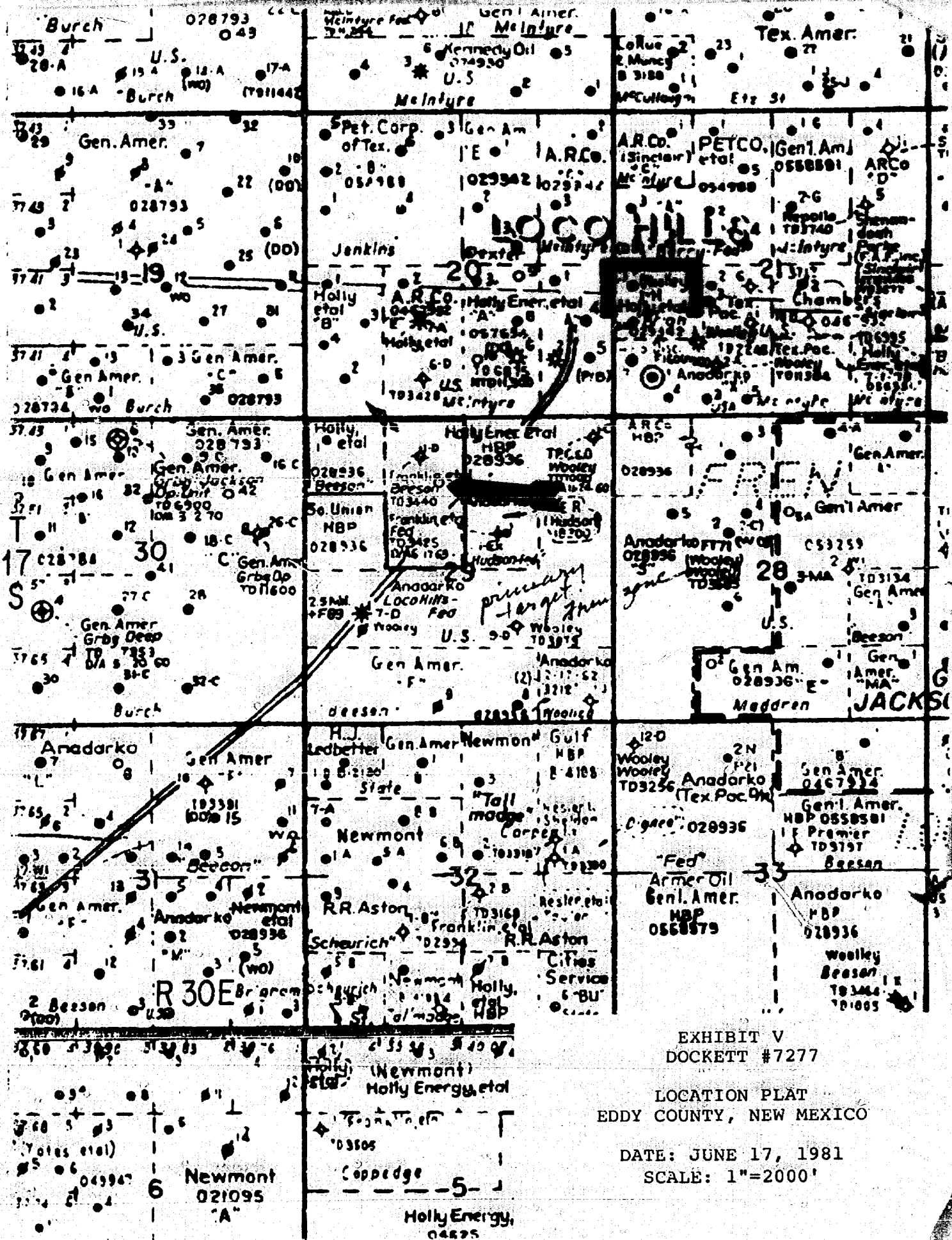
7277

Application

Transcripts

Small Exhibits

ETC



STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO

17 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Holly Energy, Inc., for
an unorthodox oil well location, Eddy
County, New Mexico.

CASE
7277

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Chad Dickerson, Esq.
LOSEE, CARSON, & DICKERSON
Artesia, New Mexico 87501

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I N D E X

GERALD E. HARRINGTON

Direct Examination by Mr. Dickerson

3

Cross Examination by Mr. Nutter

7

E X H I B I T S

Applicant Exhibit One, Structure Map

5

Applicant Exhibit Two, Cross Section

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Applicant Exhibit Three, Cross Section

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Applicant Exhibit Four, Cross Section

6

Applicant Exhibit Five, Map

4

MR. NUTTER Call Case Number 7277.

Case 7277 is Application of Holly Energy, Inc., for an unorthodox oil well location, Eddy County, New Mexico.

MR. DICKERSON: Chad Dickerson from Artesia, on behalf of the applicant.

Mr. Examiner, I will have one witness.

(Witness sworn.)

GERALD E. HARRINGTON

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your name, your occupation, and where you reside, please?

A I'm Gerald E. Harrington, a consulting geologist, residing at 3007 Edgewood, Roswell, New Mexico.

Q Mr. Harrington, in what capacity do you appear here on behalf of Holly Energy, Inc.?

A I have been retained by Holly Energy, Inc., to present testimony in Case Number 7277.

1
2 Q Mr. Harrington, have you previously
3 testified as a geologist and had your qualifications made a
4 matter of record before this Division?

5 A Yes, I have.

6 MR. DICKERSON: Is Mr. Harrington
7 qualified, Mr. Nutter?

8 MR. NUTTER: Yes, he is.

9 Q Mr. Harrington, have you reviewed cer-
10 tain exhibits upon which you intend to rely for your presenta-
11 tion in this case?

12 A I have.

13 Q Would you turn first to Exhibit Number
14 One, or let's go to Exhibit Number Five, even though out of
15 order, for clarity, and describe what it shows and briefly
16 state what Holly seeks by this application?

17 A Exhibit Number Five is an expanded
18 lease ownership map with well locations identified on it.
19 Outlined in red is the Beeson " D" lease of Holly Energy, Inc.
20 and the proposed location, unorthodox location indicated by
21 the red arrow.

22 Q And you said proposed unorthodox loca-
23 tion, which formation is to be tested?

24 A The primary objective of the well to
25 be drilled at the proposed location will be the Fren zone.

1
2 Q What advantage does Holly seek, Mr.
3 Harrington, to drilling -- by drilling its well at this
4 unorthodox location?

5 A According to the data, as will be pre-
6 sented, the primary purpose of the unorthodox location will
7 be to -- an attempt to establish oil production at or below
8 the projected gas/oil contact of the Fren reservoir in -- on
9 the lease area.

10 Q So you hope to gain production from
11 an oil well as opposed to a gas well?

12 A That's correct.

13 Q Would you refer to Exhibit Number One,
14 Mr. Harrington, and describewhat it shows to the Examiner?

15 A Exhibit Number One is a structure con-
16 tour map on the top of the San Andres formation. The San
17 Andres structure contours are indicated in black with the
18 datums.

19 Also, the red Isoplat contours indicate
20 the cumulative production figures mapped for Fren producing
21 wells in the area.

22 In addition, the wells are identified
23 in the following scheme and are so colored on the Exhibit
24 One: The wells colored in green produce from the Fren zone.
25 The wells producing from the Grayburg are colored in gray, and

the Abo producing wells are colored in orange.

Q Is there anything further you'd like to add with respect to Exhibit Number One?

A Exhibit Number One indicates that the proposed unorthodox location would be at or below the indicated gas/oil contact of plus 640 on the datum of the San Andres structure contour map.

Q Now turn to Exhibit Number Two Mr. Harrington, and describe for the Examiner what it reflects.

A Exhibit Number Two is a stratigraphic cross section extending from the nearest, or one of the Fren producing wells above the projected gas/oil contact to the Franklin-Aston-Fair No. 1 "EX" Federal Well, located to the southeast of the proposed location, and the well which indicated on the stratigraphic section had bailed -- bail tested oil from the Fren zone.

Q Refer to Exhibit Number Three and if for convenience you'd like to refer to Three and Four together, you may.

A Three and Four are additional stratigraphic cross sections indicating the stratigraphic sequence of formations anticipated to be encountered and indicating the location of the up-dip, or the gas/oil contact, as opposed to strictly an oil show in the down-dip well.

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Q

Do you have anything further with respect to this application, Mr. Harrington?

A

It is the feeling of Holly Energy, Incorporated, that the drilling of the proposed unorthodox location will result in the extension of oil production in the Fren Oil Field to the west, and recoveries are anticipated in the amount of approximately 20,000 barrels per location below the mapped gas/oil contact.

Q

In your opinion, Mr. Harrington, will the approval of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A

Yes.

MR. DICKERSON: Mr. Examiner, we move

the admission of Holly Exhibits One through Five and that's all the questions we have.

MR. NUTTER: Exhibits One through Five

will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q

Now, Mr. Harrington, the location is 1100 feet from the north line and 2300 feet from the west line, so it's actually in an east/west direction, it's a

1
2 standard location, is that correct?

3 A That is correct.

4 Q So Holly doesn't own the acreage to the
5 east. That appears to be Anadarko from your ownership plat
6 here.

7 A That is correct.

8 Q So you're not crowding Anadarko.

9 A No.

10 Q But you are moving the location further
11 south than it would normally be.

12 A That's correct, the normal location
13 would be 990.

14 Q And Holly owns that acreage to the
15 south?

16 A That's correct.

17 Q So in effect, you're crowding yourself
18 only.

19 A That's also correct.

20 Q And the sole purpose for the unorthodox
21 location is to obtain a better geological structural position.
22 Is that correct?

23 A Yes, that's correct.

24 MR. NUTTER: Are there any further
25 questions of Mr. Harrington? He may be excused.

1
2 Do you have anything further, Mr.

3 Dickerson?

4 MR. DICKERSON: No, sir.

5 MR. NUTTER: Does anyone have anything
6 they wish to offer in Case Number 7277?

7 We'll take the case under advisement.

8
9 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

SALLY W. BOYD, C.S.R.

Rt. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 455-7409

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 7277 heard by me on 6/17 1981.

[Signature], Examiner,
Oil Conservation Division



BRUCE KING
GOVERNOR
LARRY KEHOE
SECRETARY

POST OFFICE BOX 2088
STATE LAND OFFICE BUILDING
SANTA FE, NEW MEXICO 87501
(505) 827-2434

July 2, 1981

Re: CASE NO. 7277
ORDER NO. R-6717

**Mr. Chad Dickerson
Losee, Carson & Dickerson
Attorneys at Law
Post Office Box 239
Artesia, New Mexico 88210**

Applicant:

Holly Energy, Inc.

Dear Sir:

Enclosed herewith are two copies of the above-referenced Division order recently entered in the subject case.

Yours very truly,

JOE D. RAMEY
Director

JDR/fd

Copy of order also sent to:

Hobbs OCD	<u>x</u>
Artesia OCD	<u>x</u>
Aztec OCD	

Other

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7277
Order No. R-6717

APPLICATION OF HOLLY ENERGY, INC.
FOR AN UNORTHODOX OIL WELL LOCATION,
EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 17, 1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this 1st day of July, 1981, the Division Director, having considered the testimony, the record, and the recommendations of the Examiner, and being fully advised in the premises,

FINDS:

- (1) That due public notice having been given as required by law, the Division has jurisdiction of this cause and the subject matter thereof.
- (2) That the applicant, Holly Energy, Inc., seeks approval of an unorthodox oil well location for its Cresson Well No. 2 to be drilled 1100 feet from the North line and 2700 feet from the West line of Section 29, Township 17 South, Range 30 East, NMPM, to test the Grayburg and San Andres formations, Grayburg-Jackson Pool, Eddy County, New Mexico.
- (3) That the NE/4 NW/4 of said Section 29 is to be dedicated to the well.
- (4) That a well at said unorthodox location will better enable applicant to produce the oil underlying the proration unit.
- (5) That no offset operator objected to the proposed unorthodox location.

-2-
Case No. 7277
Order No. R-6717

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox oil well location for the Grayburg and San Andres formations is hereby approved for the Holly Energy, Inc. Besson Well No. 2 to be located at a point 1100 feet from the North line and 2300 feet from the West line of Section 29, Township 17 South, Range 30 East, NMPM, Grayburg-Jackson Pool, Eddy County, New Mexico.

(2) That the NE/4 NW/4 of said Section 29 shall be dedicated to the above-described well.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.

STATE OF NEW MEXICO
OIL CONSERVATION DIVISION


JOE D. RAMEY
Director


S E A L

rd/

Dockets Nos. 20-81 and 21-81 are tentatively set for July 2 and 15, 1981. Applications for hearing must be filed at least 22 days in advance of hearing date.

DOCKET: EXAMINER HEARING - WEDNESDAY - JUNE 17, 1981

**9 A.M. - OIL CONSERVATION DIVISION CONFERENCE ROOM,
STATE LAND OFFICE BUILDING, SANTA FE, NEW MEXICO**

The following cases will be heard before Daniel S. Nutter, Examiner, or Richard L. Stamets, Alternate Examiner:

- ALLOWABLE:** (1) Consideration of the allowable production of gas for July, 1981, from fifteen prorated pools in Lea, Eddy, and Chaves Counties, New Mexico.
- (2) Consideration of the allowable production of gas for July, 1981, from four prorated pools in San Juan, Rio Arriba, and Sandoval Counties, New Mexico.

CASE 7273: Application of Blanks Energy Corporation for an unorthodox oil well location and possible directional drilling, Lea County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of a well to be drilled 330 feet from the South line and 900 feet from the East line of Section 16, Township 18 South, Range 35 East, South Vacuum-Devonian Pool, the S/2 SE/4 of said Section 16 to be dedicated to the well. If commercial production is not obtained at said location, applicant proposes to come back up the hole and directionally drill in a westerly direction and bottom the well in the Devonian formation at a standard location in the SW/4 SE/4 of said Section 16.

CASE 7274: Application of Basa Enterprises Production Company for directional drilling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks authority to directionally drill its James Ranch Unit Well No. 13 from an unorthodox surface location 660 feet from the South line and 1340 feet from the East line of Section 36, Township 22 South, Range 30 East, in such a manner as to bottom said well in the Morrow formation at a standard location at least 660 feet from the South line and 1980 feet from the West line of Section 31, Township 22 South, Range 31 East, the S/2 of said Section 31 to be dedicated to the well.

CASE 7275: Application of S. P. Yates for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp-Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.

CASE 7263: (Continued from June 3, 1981, Examiner Hearing)

Application of Yates Petroleum Corporation for amendment of Order No. R-5527, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks the amendment of Division Order No. R-5527, which approved an unorthodox Morrow location, to permit the recompletion of its Blevins "IK" Well No. 1 in Unit D of Section 35, Township 17 South, Range 26 East, as an unorthodox gas well location in all Wolfcamp and Pennsylvanian formations.

CASE 7276: Application of Mobil Producing Texas & New Mexico Inc. for the extension of the vertical limits of the Langlie Mattix Pool, Lea County, New Mexico. Applicant, in the above-styled cause, seeks the contraction of the vertical limits of the Jalmat Pool and the upward extension of the vertical limits of the Langlie Mattix Pool to the following depths underlying the following 40-acre tracts in Township 25 South, Range 37 East: NE/4 SE/4 of Section 4: 3327 feet; NE/4 SW/4 of Section 3: 3215 feet; and NE/4 NW/4 of Section 15: 3206 feet.

CASE 7277: Application of Holly Energy, Inc. for an unorthodox oil well location, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks approval for the unorthodox location of its Beeson Well No. 2 to be drilled 1100 feet from the North line and 2300 feet from the West line of Section 29, Township 17 South, Range 30 East, Grayburg-Jackson Pool, the NE/4 NW/4 of said Section 29 to be dedicated to the well.

CASE 7278: Application of Pollution Control, Inc. for an oil treating plant permit, Lea County, New Mexico. Applicant, in the above-styled cause, seeks authority for the construction and operation of an oil treating plant for the purpose of treating and reclaiming sediment oil at a site in the E/2 NW/4 of Section 18, Township 20 South, Range 33 East.

- CASE 7279:** Application of BCO, Inc. for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Basin-Dakota and Lybrook-Gallup production in the wellbores of the following wells located in Township 23 North, Range 7 West: Dunn Well No. 3 located in Unit I of Section 3 and State H Wells Nos. 3 and 4, located in Units M and D, respectively, of Section 2.
- CASE 7280:** Application of Northwest Pipeline Corporation for a dual completion and downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks authority to dually complete its Rosa Unit Well No. 77 located in Unit L of Section 33, Township 31 North, Range 5 West, to produce gas from the Mesaverde formation and commingled Gallup and Dakota production through separate strings of tubing.
- CASE 7281:** Application of Dugan Production Corporation for downhole commingling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of undesignated Gallup and Basin-Dakota production in the wellbore of its Windfall Well No. 10 located in Unit F of Section 31, Township 26 North, Range 11 West.
- CASF 7282:** Application of Jerome P. McHugh for downhole commingling, Rio Arriba County, New Mexico. Applicant, in the above-styled cause, seeks approval for the downhole commingling of Wildhorse-Gallup and Basin-Dakota production in the wellbore of his Apache Well No. 3-E located in Unit H of Section 19, Township 26 North, Range 3 West.
- CASE 7254:** (Continued from May 20, 1981, Examiner Hearing)
Application of Mesa Petroleum Company for compulsory pooling, San Juan County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Mesaverde formation underlying the W/2 of Section 15, Township 30 North, Range 11 West, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7270:** (Continued from June 3, 1981, Examiner Hearing)
Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Wolfcamp and Pennsylvanian formations underlying the N/2 of Section 21, Township 19 South, Range 27 East, to be dedicated to its Pecos River Federal 21-A Com Well No. 1 drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.
- CASE 7250:** (Continued from June 3, 1981, Examiner Hearing)
Application of Southland Royalty Company for compulsory pooling, Eddy County, New Mexico. Applicant, in the above-styled cause, seeks an order pooling all mineral interests in the Pennsylvanian formation underlying the N/2 of Section 22, Township 18 South, Range 29 East, to be dedicated to a well to be drilled at a standard location thereon. Also to be considered will be the cost of drilling and completing said well and the allocation of the cost thereof as well as actual operating costs and charges for supervision, designation of applicant as operator of the well, and a charge for risk involved in drilling said well.



Phone: 505-746-6161

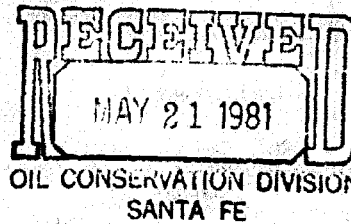
P. O. Box 726

Artesia, N. M. 88210

ENERGY, INC.

Mr. Joe D. Ramey
Oil Conservation Division
Energy & Minerals Department
P.O. Box 2088
Santa Fe, New Mexico 87501

Attention: Joe D. Ramey



May 19, 1981

Case 7277

Re: Non Standard Oil Well Location
Sec. 29 T-17S R-30E
Eddy County, New Mexico
Beeson Federal #2

Gentlemen:

Holly Energy Inc. respectfully requests that a hearing be called to consider Holly's application for a permit to drill Beeson D Federal #2 at a non-standard location, which will require an exception to paragraph C-1 of Rule 104, of the Oil Conservation Divisions Rules and Regulations.

The requested location is 1100 feet FNL and 2300 feet FWL of Section 29, T-17S R-30E. Rule 104 paragraph C-1 requires that a well will be not closer than 330 feet to the nearest end boundary.

The proposed well is projected to a depth of 3330 feet to test the San Andres.

Sincerely Yours

Robert Loyd

Robert Loyd
Dist. Superintendent
Holly Energy Inc.

NEW MEXICO OIL CONSERVATION COMMISSION
WELL LOCATION AND ACREAGE DEDICATION PLAT

RECEIVED
MAY 21 1981

C-102
Revised C-128
Effective 1-1-85

All distances must be from the outer boundaries of the Section

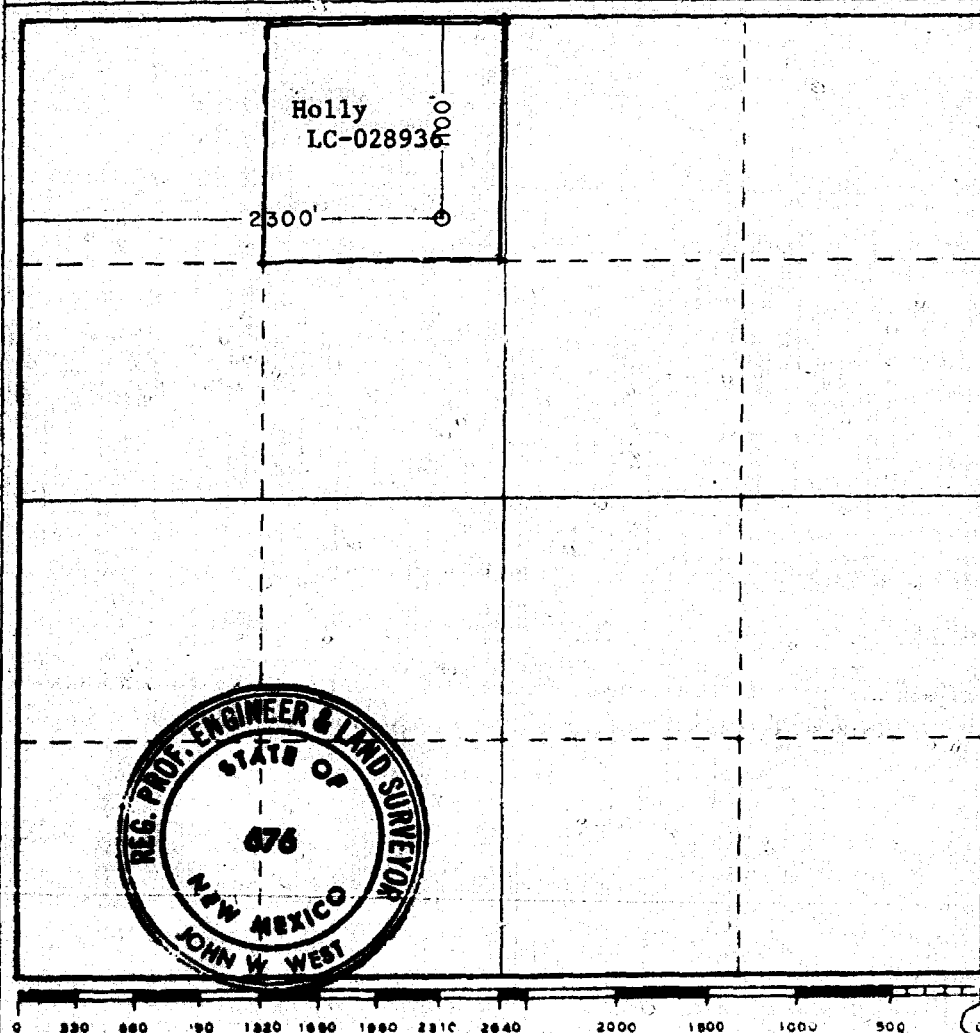
Operator Holly Energy Corp..		Lease Beeson		Well 2	
First Letter C	Section 29	Township 17South	Range 30East	County SANTA FE	
Actual Footage Location of Well: 1100 feet from the North line and 2300 feet from the West line					
Ground Level Elev. 3610.75'	Producing Formation Grayburg-San Andres		Pool Grayburg-Jackson	Dedicated Acreage: 40 Acres	

1. Outline the acreage dedicated to the subject well by colored pencil or hatchure marks on the plat below.
2. If more than one lease is dedicated to the well, outline each and identify the ownership thereof (both as to working interest and royalty).
3. If more than one lease of different ownership is dedicated to the well, have the interests of all owners been consolidated by communitization, unitization, force-pooling, etc?

☐ Yes ☐ No If answer is "yes," type of consolidation _____

If answer is "no," list the owners and tract descriptions which have actually been consolidated. (Use reverse side of this form if necessary.) _____

No allowable will be assigned to the well until all interests have been consolidated (by communitization, unitization, forced-pooling, or otherwise) or until a non-standard unit, eliminating such interests, has been approved by the Commission.



CERTIFICATION

I hereby certify that the information contained herein is true and complete to the best of my knowledge and belief.

Robert Loyd

Name

Robert Loyd

Position

Superintendent

Company

Holly Energy Inc.

Date

May 19, 1981

I hereby certify that the well location shown on this plat was plotted from field notes of actual surveys made by me or under my supervision, and that the same is true and correct to the best of my knowledge and belief.

Date Surveyed

Mar. 11, 1981

Registered Professional Engineer and/or Land Surveyor

John W. West

Certificate No. **JOHN W. WEST 676**
PATRICK A. ROMERO 6845
Ronald J. Eidson 3239

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION
STATE LAND OFFICE BLDG.
SANTA FE, NEW MEXICO
17 June 1981

EXAMINER HEARING

IN THE MATTER OF:

Application of Holly Energy, Inc., for
an unorthodox oil well location, Eddy
County, New Mexico.

CASE
7277

BEFORE: Daniel S. Nutter

TRANSCRIPT OF HEARING

A P P E A R A N C E S

For the Oil Conservation
Division:

Ernest L. Padilla, Esq.
Legal Counsel to the Division
State Land Office Bldg.
Santa Fe, New Mexico 87501

For the Applicant:

Chad Dickerson, Esq.
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Artesia, New Mexico 87501

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I N D E X

GERALD E. HARRINGTON

Direct Examination by Mr. Dickerson	3
Cross Examination by Mr. Nutter	7

E X H I B I T S

Applicant Exhibit One, Structure Map	5
Applicant Exhibit Two, Cross Section	6
Applicant Exhibit Three, Cross Section	6
Applicant Exhibit Four, Cross Section	6
Applicant Exhibit Five, Map	4

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MR. NUTTER: Call Case Number 7277.

Case 7277 is Application of Holly Energy, Inc., for an unorthodox oil well location, Eddy County, New Mexico.

MR. DICKERSON: Chad Dickerson from Artesia, on behalf of the applicant.

Mr. Examiner, I will have one witness.

(Witness sworn.)

GERALD E. HARRINGTON

being called as a witness and being duly sworn upon his oath, testified as follows, to-wit:

DIRECT EXAMINATION

BY MR. DICKERSON:

Q Will you state your name, your occupation, and where you reside, please?

A I'm Gerald E. Harrington, a consulting geologist, residing at 3007 Edgewood, Roswell, New Mexico.

Q Mr. Harrington, in what capacity do you appear here on behalf of Holly Energy, Inc.?

A I have been retained by Holly Energy, Inc., to present testimony in Case Number 7277.

1
2 Q Mr. Harrington, have you previously
3 testified as a geologist and had your qualifications made a
4 matter of record before this Division?

5 A Yes, I have.

6 MR. DICKERSON: Is Mr. Harrington
7 qualified, Mr. Nutter?

8 MR. NUTTER: Yes, he is.

9 Q Mr. Harrington, have you reviewed cer-
10 tain exhibits upon which you intend to rely for your presenta-
11 tion in this case?

12 A I have.

13 Q Would you turn first to Exhibit Number
14 One, or let's go to Exhibit Number Five, even though out of
15 order, for clarity, and describe what it shows and briefly
16 state what Holly seeks by this application?

17 A Exhibit Number Five is an expanded
18 lease ownership map with well locations identified on it.
19 Outlined in red is the Beeson " D" lease of Holly Energy, Inc.
20 and the proposed location, unorthodox location indicated by
21 the red arrow.

22 Q And you said proposed unorthodox loca-
23 tion, which formation is to be tested?

24 A The primary objective of the well to
25 be drilled at the proposed location will be the Fren zone.

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Q What advantage does Holly seek, Mr.

Harrington, to drilling -- by drilling its well at this unorthodox location?

A According to the data, as will be presented, the primary purpose of the unorthodox location will be to -- an attempt to establish oil production at or below the projected gas/oil contact of the Fren reservoir in -- on the lease area.

Q So you hope to gain production from an oil well as opposed to a gas well?

A That's correct.

Q Would you refer to Exhibit Number One, Mr. Harrington, and describewhat it shows to the Examiner?

A Exhibit Number One is a structure contour map on the top of the San Andres formation. The San Andres structure contours are indicated in black with the datums.

Also, the red Isoplat contours indicate the cumulative production figures mapped for Fren producing wells in the area.

In addition, the wells are identified in the following scheme and are so colored on the Exhibit One: The wells colored in green produce from the Fren zone. The wells producing from the Grayburg are colored in gray, and

1 the Abo producing wells are colored in orange.

2 Q Is there anything further you'd like to
3 add with respect to Exhibit Number One?

4 A Exhibit Number One indicates that the
5 proposed unorthodox location would be at or below the indi-
6 cated gas/oil contact of plus 640 on the datum of the San
7 Andres structure contour map.

8 Q Now turn to Exhibit Number Two. Mr.
9 Harrington, and describe for the Examiner what it reflects.

10 A Exhibit Number Two is a stratigraphic
11 cross section extending from the nearest, or one of the Fren
12 producing wells above the projected gas/oil contact to the
13 Franklin-Aston-Fair No. 1 "EX" Federal Well, located to the
14 southeast of the proposed location, and the well which indi-
15 cated on the stratigraphic section had bailed -- bail tested
16 oil from the Fren zone.

17 Q Refer to Exhibit Number Three and if
18 for convenience you'd like to refer to Three and Four to-
19 gether, you may.

20 A Three and Four are additional strati-
21 graphic cross sections indicating the stratigraphic sequence
22 of formations anticipated to be encountered and indicating
23 the location of the up-dip, or the gas/oil contact, as op-
24 posed to strictly an oil show in the down-dip well.
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Q Do you have anything further with respect to this application, Mr. Harrington?

A It is the feeling of Holly Energy, Incorporated, that the drilling of the proposed unorthodox location will result in the extension of oil production in the Fren Oil Field to the west, and recoveries are anticipated in the amount of approximately 20,000 barrels per location below the mapped gas/oil contact.

Q In your opinion, Mr. Harrington, will the approval of this application be in the interest of conservation, the prevention of waste, and the protection of correlative rights?

A Yes.

MR. DICKERSON: Mr. Examiner, we move the admission of Holly Exhibits One through Five and that's all the questions we have.

MR. NUTTER: Exhibits One through Five will be admitted in evidence.

CROSS EXAMINATION

BY MR. NUTTER:

Q Now, Mr. Harrington, the location is 1100 feet from the north line and 2300 feet from the west line, so it's actually in an east/west direction, it's a

1
2 standard location, is that correct?

3 A That is correct.

4 Q So Holly doesn't own the acreage to the
5 east. That appears to be Anadarko from your ownership plat
6 here.

7 A That is correct.

8 Q So you're not crowding Anadarko.

9 A No.

10 Q But you are moving the location further
11 south than it would normally be.

12 A That's correct, the normal location
13 would be 990.

14 Q And Holly owns that acreage to the
15 south?

16 A That's correct.

17 Q So in effect, you're crowding yourself
18 only.

19 A That's also correct.

20 Q And the sole purpose for the unorthodox
21 location is to obtain a better geological structural position.
22 Is that correct?

23 A Yes, that's correct.

24 MR. NUTTER: Are there any further
25 questions of Mr. Harrington? He may be excused.

1 Do you have anything further, Mr.
2

3 Dickerson?

4 MR. DICKERSON: No, sir.

5 MR. NUTTER: Does anyone have anything
6 they wish to offer in Case Number 7277?

7 We'll take the case under advisement.

8 (Hearing concluded.)
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C E R T I F I C A T E

I, SALLY W. BOYD, C.S.R., DO HEREBY CERTIFY that the foregoing Transcript of Hearing before the Oil Conservation Division was reported by me; that the said transcript is a full, true, and correct record of the hearing, prepared by me to the best of my ability.

Sally W. Boyd CSR

I do hereby certify that the foregoing is a complete record of the proceedings in the Examiner hearing of Case No. 2223 heard by me on 6/17 1981.

[Signature], Examiner
Oil Conservation Division

SALLY W. BOYD, C.S.R.

RI. 1 Box 193-B
Santa Fe, New Mexico 87501
Phone (505) 435-7499

DRAFT

dr/

STATE OF NEW MEXICO
ENERGY AND MINERALS DEPARTMENT
OIL CONSERVATION DIVISION

IN THE MATTER OF THE HEARING
CALLED BY THE OIL CONSERVATION
DIVISION FOR THE PURPOSE OF
CONSIDERING:

CASE NO. 7277

ORDER NO. R- 6717

APPLICATION OF HOLLY ENERGY, INC.

FOR AN UNORTHODOX OIL WELL LOCATION,

EDDY COUNTY, NEW MEXICO.

ORDER OF THE DIVISION

BY THE DIVISION:

This cause came on for hearing at 9 a.m. on June 17,
1981, at Santa Fe, New Mexico, before Examiner Daniel S. Nutter.

NOW, on this _____ day of June, 19 81, the Division
Director, having considered the testimony, the record, and the
recommendations of the Examiner, and being fully advised in the
premises,

FINDS:

(1) That due public notice having been given as required by
law, the Division has jurisdiction of this cause and the subject
matter thereof.

(2) That the applicant, Holly Energy, Inc.,
for its Beeson Well No. 2 to be drilled
seeks approval of an unorthodox oil well location/ 1100
feet from the North line and 2300 feet from the
West line of Section 29, Township 17 South

Range 30 East, NMPM, to test the Grayburg and
San Andres formations, Grayburg-Jackson Pool, Eddy
County, New Mexico.

(3) That the NE/4 NW/4 of said Section 29 is to be
dedicated to the well.

(4) That a well at said unorthodox location will better
enable applicant to produce the oil underlying the proration unit.

(5) That no offset operator objected to the proposed unorthodox
location.

-2-

Case No. _____

Order No. R- _____

(6) That approval of the subject application will afford the applicant the opportunity to produce its just and equitable share of the oil in the subject pool, will prevent the economic loss caused by the drilling of unnecessary wells, avoid the augmentation of risk arising from the drilling of an excessive number of wells, and will otherwise prevent waste and protect correlative rights.

IT IS THEREFORE ORDERED:

(1) That an unorthodox oil well location for the Grayburg and San Andres the Holly Energy, Inc. Beeson Well No. 2 formation is hereby approved for a well to be located at a point 1100 feet from the North line and 2300 feet from the West line of Section 29, Township 17 South, Range 30 East NMPM, Grayburg-Jackson Pool, Eddy County, New Mexico.

(2) That the NE/4 NW/4 of said Section 29 shall be dedicated to the above-described well.

(3) That jurisdiction of this cause is retained for the entry of such further orders as the Division may deem necessary.

DONE at Santa Fe, New Mexico, on the day and year hereinabove designated.